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Message Text

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ACTION AF-08

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
CIEP-01 LAB-04 SIL-01 OMB-01 PA-01 PRS-01 AGRE-00
/054 W
----------011406Z 005809 /45
R 011245Z JAN 77
FM AMEMBASSY KINSHASA
TO SECSTATE WASHDC 1527

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E.O. 11652: N/A
TAGS: ECON
SUBJECT: MARKET BASKET PRICES RISE IN JANUARY

REF: KINSHASA A-002

BEGIN UNCLASSIFIED

1. THE PRICES OF A TYPICAL MARKET BASKET OF CONSUMER GOODS ROSE AGAIN IN JANUARY, PARTICULARLY FOR THOSE ITEMS MOST HEAVILY USED BY THE POOR. BETWEEN DECEMBER 20, 1976, AND JANUARY 24, 1977, THE COST OF A TYPICAL MARKET BASKET OF COMMODITIES PURCHASED BY A LOW INCOME HOUSEHOLD IN KINSHASA ROSE BY 4.4 PERCENT. THE COST OF THE TYPICAL MARKET BASKET OF THIS INCOME GROUP HAS RISEN BY 66 PERCENT SINCE APRIL 22, 1976 -- THE DATE OF THE EMBASSY'S FIRST SURVEY. AT THIS RATE THE ANNUAL INCREASE IN PRICES FROM APRIL 1976 TO APRIL 1977 WILL BE 88 PERCENT.

2. MARKET BASKET COSTS ROSE SOMEWHAT LESS SHARPLY FOR MIDDLE AND UPPER INCOME GROUPS. FOR MIDDLE INCOME HOUSEHOLDS, LAST MONTH'S INCREASE OF 3.6 PERCENT PUSHED PRICES 55 PERCENT HIGHER THAN ON LAST APRIL 22. FOR THE UPPER INCOME GROUP, THE MONTHLY INCREASE WAS 2.8 PERCENT WHICH PUSHED THE INDEX TO 64.6 PERCENT
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OVER THE LEVEL OF THE BASE PERIOD.

3. PRICES OF MEAT, FISH, ONIONS AND CHARCOAL WERE SIGNIFICANT FACTORS IN THE JANUARY PRICE INCREASES. SINCE LAST APRIL THE PRICES OF MEAT, CHICKEN AND FISH HAVE RISEN BETWEEN 50 AND 150 PERCENT.

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4. ON THE WHOLE, PRICES HAVE RISEN BY ROUGHLY 60 PERCENT WHILE WAGE INCREASES HAVE BEEN LIMITED TO 20 PERCENT SINCE LAST APRIL. MANY HOUSEHOLDS HAVE PROBABLY HAD TO SERIOUSLY REDUCE THEIR NUTRITIONAL LEVEL BY CUTTING THEIR INTAKE OF PROTEIN. WORKERS AT GOODYEAR HAVE BEEN PRESSING MANAGEMENT FOR COST OF LIVING INCREASES AND WE ARE SURE THESE PRESSURES ARE BEING FELT THROUGHOUT MANY OTHER INDUSTRIES.

5. CUTS IN REAL SPENDING ARE BY DEFINITION A NECESSARY PART OF AN AUSTERITY PROGRAM BUT IT HAS BEEN UNFORTUNATE THAT THE BURDEN OF AUSTERITY HAS BEEN PARTICULARLY HARD AT THE LOWER INCOME LEVELS. THE BALANCE BETWEEN WAGES AND PRICES WILL BE AN IMPORTANT ELEMENT OF THE REVISED STABILIZATION PROGRAM.
CUTLER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, COST OF LIVING
Control Number: n/a
Copy: SINGLE
Sent Date: 01-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977KINSHA00868
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770035-0635
Format: TEL
From: KINSHASA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770186/aaaacxlv.tel
Line Count: 78
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 82e8e4dd-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 KINSHASA A-2
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3675767
Secure: OPEN
Status: NATIVE
Subject: MARKET BASKET PRICES RISE IN JANUARY
TAGS: ECON, CG
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/82e8e4dd-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
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US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009